

The Growing Problems with Spreadsheet Budgeting

By Jeff Solomon, Stella Johnson, Leon Wilcox, and Tom Olson



The ubiquitous spreadsheet in some version has been the sole and unrivaled instrument of financial management for decades. And it has served well.

The spreadsheet provides the flexibility to design a unique business process. It allows users to create formulas that execute complex calculations, and it is available in the globally standardized Excel format.

Creating a well-designed spreadsheet, one that will prohibit error, is a painstaking process that has consumed countless hours of administrative labor. The resulting data are only as reliable as that process is meticulous. The scope of possible error is broad and varied, including data entries in formula-based cells, incorrect cell ranges in formulas, circular references, broken links between workbooks, and outdated versions.

Despite its labor-intensive rigor, the spreadsheet has functioned over time, and business managers have taken in stride the problems and deficiencies associated with it.

Some administrators contend, however, that for its fundamental design and intention, the spreadsheet has reached its limits in the face of current financial challenges. In fact, in districts with more than 10,000 students, spreadsheet-driven budgets have become almost impossible. The more users there are with differing skill levels, the more error-prone the process becomes. Many school business managers and administrators simply do not have a good understanding of how to work with spreadsheets.

A Viable Alternative

The mammoth task of budgeting by spreadsheet, as cumbersome and inefficient as it is, has been unavoidable. The appearance of versatile, Web-based budget software in the past 10 years has changed that and finally allowed districts to escape the tyranny of the spreadsheet. Districts with such programs in place have reshaped the roles and the capabilities of administrators at all levels, whether they manage schools, transportation, human resources, or the entire school district operation.

Although the new software is powerful and sophisticated, the idea behind it is elegantly simple. There is a single system into which, and from which, all the data flow and all the controls operate. Information is shared, shaped, and created by everyone who has a stake in it. It's a dynamic system, responsive to every change and articulating the implications of those changes throughout the system to every sector in real time.

Unlike a fragmented set of spreadsheets, budget software houses all the data in a single repository and allows user changes and calculations to flow with speed and integrity throughout the entire budget.

Because a variety of philosophies and structures shape school business organizations, it is important to ensure that the particular design of the budget software a district chooses can accommodate that district's business processes.

Every district has certain nonnegotiables that are part of its unique governance. Budget software can often be

customized according to the size and the organizational structure of the particular district. These are important considerations for a good fit.

Canyons School District in Utah maintains a specific budget reporting protocol, and the director of accounting and budget stresses the importance of having a software program that accommodates such distinctions. Companies that offer customer service in the form of consulting as well as in technical support typically have experience with a great diversity of organizational needs and structures and can guide a district in creating a budgeting solution that fits its practices.

Budget software can make a qualitative difference in the district's ability to save money because of the increased level and kind of information it provides. The principals are getting more detailed information from the central office and the central office is getting a much clearer, more detailed picture of what is happening at the schools and department sites. Even in a site-based district, the level of data and information can be just as rich as it is in a highly centralized district.

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Data can be transferred between the budget software and other databases, resulting in reduced time requirements and fewer errors. Time saved by reducing management tasks is time created for the pursuits of leadership, work that is not always viewed as urgent but is nevertheless the most important work of administrators.

Administrators mired in the minutiae of management tend to postpone and even ignore the need to investigate, explore, consider, dialogue, and problem-solve . . . the need to strengthen relationships, get to the root of conflicts, or overhaul outdated procedures.

Time comes up in another context regarding the efficiencies around the use of budget software. The use of software can dramatically change time lines around the budget process. The availability of information in the spring rather than in the fall is a great advantage, for example. Districts now have the ability to provide information to their boards and their public with clarity and accuracy early in the budget cycle.

The Flow of Information

The initial attraction of budget software seems to be the promise of time savings, but districts using such software highlight that the benefits of an all-inclusive and interconnected information system have become more important.

The architecture of the most effective software is hierarchical, designed in tiers through which information can pass in both directions (up and down) and in which data are aggregated automatically at the top level. (In the spreadsheet process, an entire team of people fulfills this same function.) The program's design allows designated individuals to see or change information according to the level of their budget center authority. At the highest level, budget administrators can view and change information in any tier. For Canyons School District, this connectivity represents real efficiency. If there's a change in benefits, the administrator makes that change once and the system changes all the references to that item or formula.

Synthesizing information remains a particular challenge with spreadsheets. The imprints are static. They freeze each frame of the budget as an isolated piece of the financial puzzle. Rosemount–Apple Valley–Eagan Public Schools in Rosemount, Minnesota, uses the budget ticker feature of their budget software program. This feature, always displayed, shows revenue totals, expenditure totals, and the bottom line. It tells the manager instantly if he or she is in error or overextended.

This feature also means business managers can easily do some scenario analyses. Let's say there's a 2% increase in salaries. What if they were to modify these allocations? How would lower fuel costs affect trans-

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portation and maintenance budgets? They can test these scenarios and check the ticker to see the consequences of various decisions. In times of budget constraints and budget cuts, this kind of analytical exploration can be critical to seeking solutions.

There's a level of accessibility and transparency in monitoring expenditures, the capacity to make instant comparisons and see unique differences among the schools.

The Effect on Human Resources

For districts operating within decentralized business models, staff budgeting can present challenging issues of accountability and timely decision making. With the finance department calculating staffing allocations for schools and other budget centers and the human resources department connecting with schools to initiate hiring, a lengthy and involved process of paper shuffling begins. The attending confusion, oversights, and inaccuracies often cause districts to overextend themselves in terms of full-time equivalent contracts. In districts like Rosemount, which employs more than 2,000 teachers, these errors can be extremely costly.

Some budgeting software includes the staffing information in detail by site, by specific position, and by name (when that is determined). Because that information exists in a single database, human resources personnel, finance personnel, department managers, and school

principals can all have appropriate access to the same information, making it more reliable and reducing errors. The use of budget software can promote increased accountability in staffing and an increased level of information.

Then and Now

The spreadsheets of districts have grown (and groaned) under the combined weight of the new obligations and attendant complexities. Web-based software is emerging to present a viable alternative to the traditional spreadsheet, and districts that have made the change are experiencing benefits—often beyond what they anticipated.

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